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Here are the election outcomes financial advisors are hoping for
By Rob Burgess
October 23, 2024, 2:34 p.m. EDT

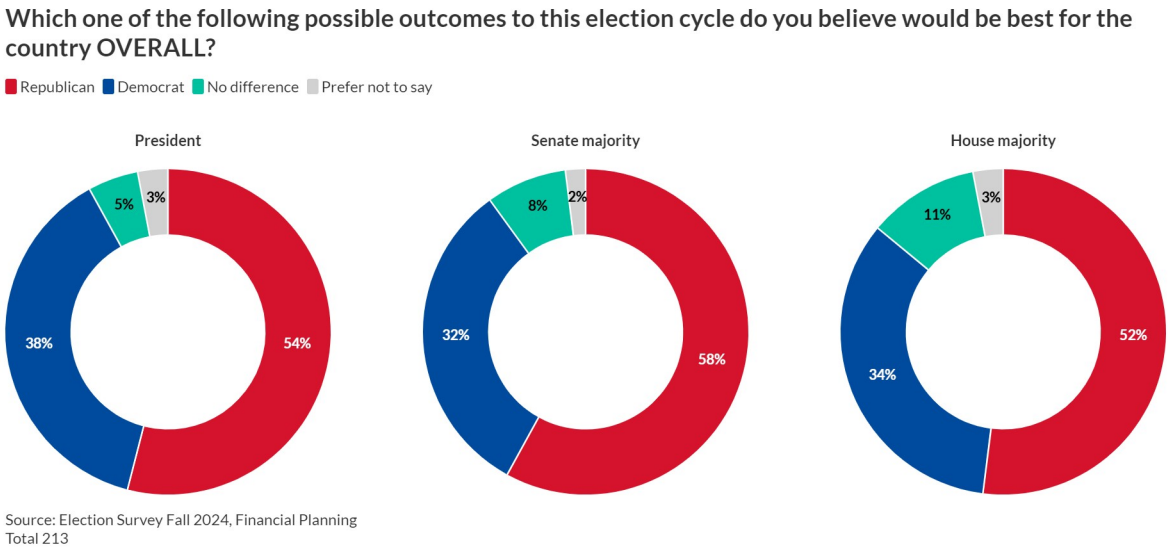
With fewer than two weeks until Election Day, financial advisors have weighed in on which federal candidates and parties they hope will win.

Financial Planning polled 213 respondents for its Fall 2024 Election Survey and asked which election outcome would be best for the country overall. And while there were some deviations, the overall picture remained roughly the same among various races.

For the presidency, 54% picked Republican former President Donald Trump over Democratic Vice President Kamala Harris, who garnered 38%.

In the U.S. Senate, 58% said they preferred a Republican majority over a Democratic one, at 32%.

When it comes to the U.S. House of Representatives, 52% said they wanted Republicans to retain control, while 34% hoped for a Democratic flip of the chamber.



On a similar note, Franklin Templeton held a webinar Wednesday, "From the Polls to Your Portfolio: Navigating the U.S. Presidential Election," which delved into the possible outcomes and effects on U.S. government policy across taxes, regulation, trade and fiscal spending.

Economic conditions overshadow policy

Looking back at previous election outcomes, policy doesn't matter as much as the underlying economic backdrop, said Jeffrey Schulze, managing director and head of economic and market strategy for ClearBridge Investments. With the exception of Republican President George W. Bush, looking back at the last nine presidents going back to Republican President Gerald Ford, each administration saw double-digit annualized returns during their terms.

Among the recent positive economic news was the Federal Reserve's announcement last month of its long-awaited half-point interest rate drop.

"From all the metrics that we look at, we think the U.S. economy is on solid foundation at the moment," he said.

Looking to the legislative branch, most experts seem to expect a split, with Democrats having a decent chance of turning the U.S. House of Representatives their way and Republicans doing the same in the U.S. Senate, said Grant Bowers, senior vice president, portfolio manager and research analyst at Franklin Equity Group.

"There are some real differences between regulation, tariffs and fiscal policy, but with the most likely outcome being a split government, the chances of large change is pretty low," he said.

One area where gridlock could hurt markets involves the sunset of certain provisions in the 2017 Tax Cuts and Jobs Act (TCJA) at the end of 2025.

"If nothing is done, you're going to see a fiscal cliff with almost every American seeing a higher effective tax rate," said Schulze. "In a gridlock scenario, I think that's going to be a minor negative for the market."

A Harris win would probably mean a push for a higher corporate tax rate to fund some of the lower-income tax credits and additional social spending. A Trump win would most likely see a push to further the original TCJA provisions, said Schulze.

"Nonetheless, this is not a problem that's going to occur right after the election," he said. "Ultimately, I think there's an incentive for both sides of the aisle to come together and move forward on a legislative agenda."

How the markets will react to election results

Bowers said if one party or the other were to sweep the presidency and Congress, he would expect to see more volatility in the markets.

"Ultimately if one party controls all three parts of the government, they're able to affect real, meaningful change with fairly low obstacles," he said.

With the election being as close as it is, Bowers said it could take some time before the winners and losers are sorted out. And that could breed uncertainty.

"It can create a fairly tense time for markets as the ballots are counted, legal challenges are worked through and the outcome ultimately becomes clear," he said.

Bowers said the markets have been expecting a Trump victory, which would bring pro business policies, lower taxes and less regulation. On the downside, though, is Trump's embrace of tariffs that the market is less amenable to.

"You don't get all the upside without some of the potential downside," he said.

Sonal Desai, portfolio manager and chief investment officer for Franklin Templeton Fixed Income, said this uncertainty hasn't seemed to have much of an effect on the American consumer, "who continues to consume very much."

"If the consumer is happy, they spend, and if they're sad, they spend," said Stephen Dover, chief marketing strategist for Franklin Templeton and the head of the Franklin Templeton Institute.